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DIRECTORATE OF  
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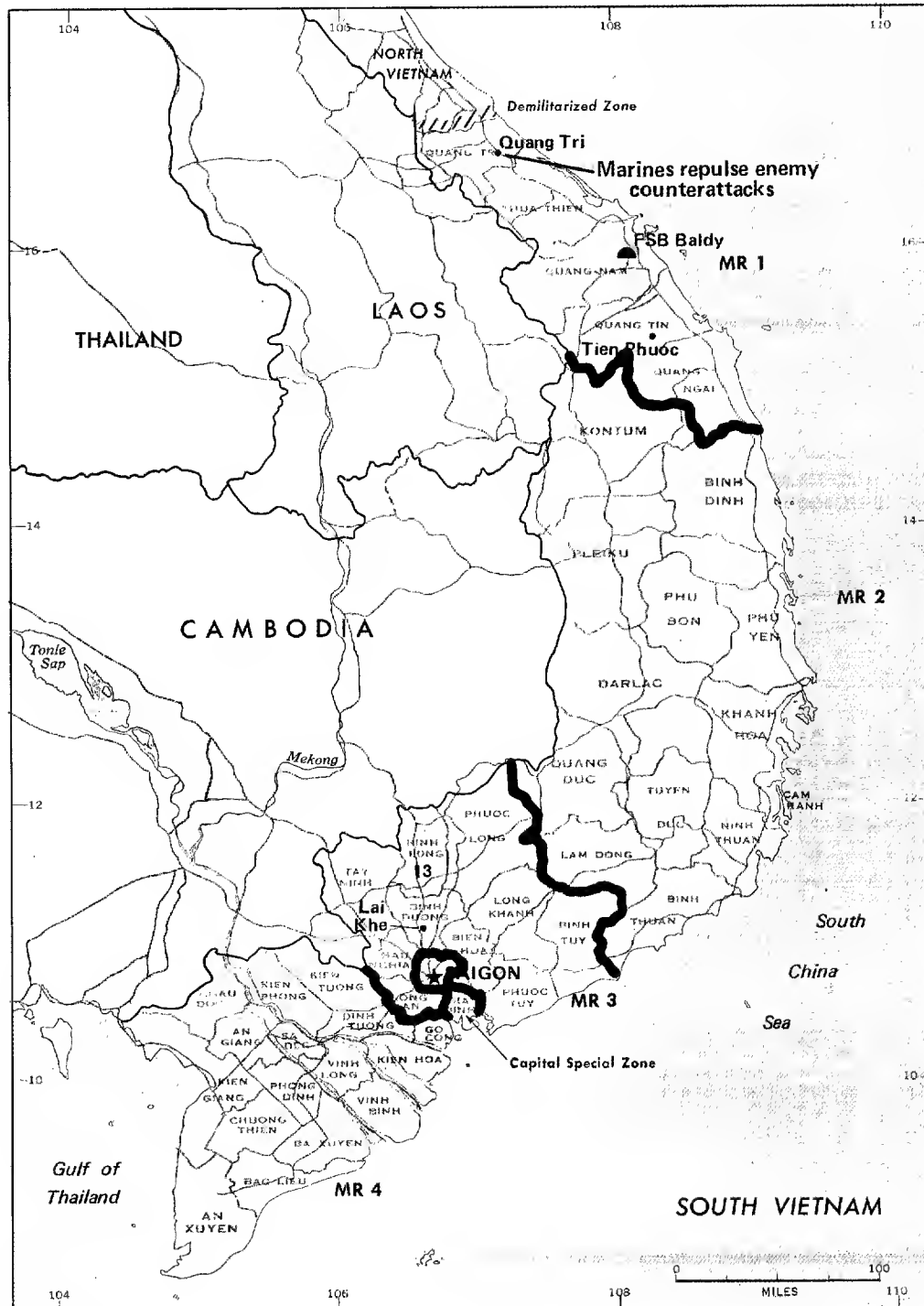
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**VIETNAM:** South Vietnamese Marines turned back several enemy counterattacks around the Quang Tri City citadel on 13 September. Some 1,400 rounds of Communist artillery and mortar fire hit Marine units fighting just south of the fortress and near the Thach Han River, where government forces reportedly have occupied a major enemy transshipment point.

Farther south, sporadic fighting has been reported near Fire Support Base Baldy in Quang Nam Province and near Tien Phuoc district capital in Quang Tin Province. The North Vietnamese apparently have moved a joint armor and artillery regiment, equipped with 130-mm. guns and PT-76 tanks, into the Quang Tin coastal region to support enemy operations--another sign of the importance the Communists attach to increasing their presence in the lowlands. The recent increase in the fighting in nearby Quang Ngai Province also attests to such intentions.

In the southern provinces, elements of the North Vietnamese 7th Division have been detected moving closer to the government's staging base for Route 13 operations at Lai Khe, north of Saigon. A flurry of enemy attacks in the lower delta ended on 13 September with the loss of a significant number of government outposts in Chuong Thien and An Xuyen provinces. These actions probably were carried out to mask the further infiltration of Communist main force units into the western delta from nearby Cambodia.

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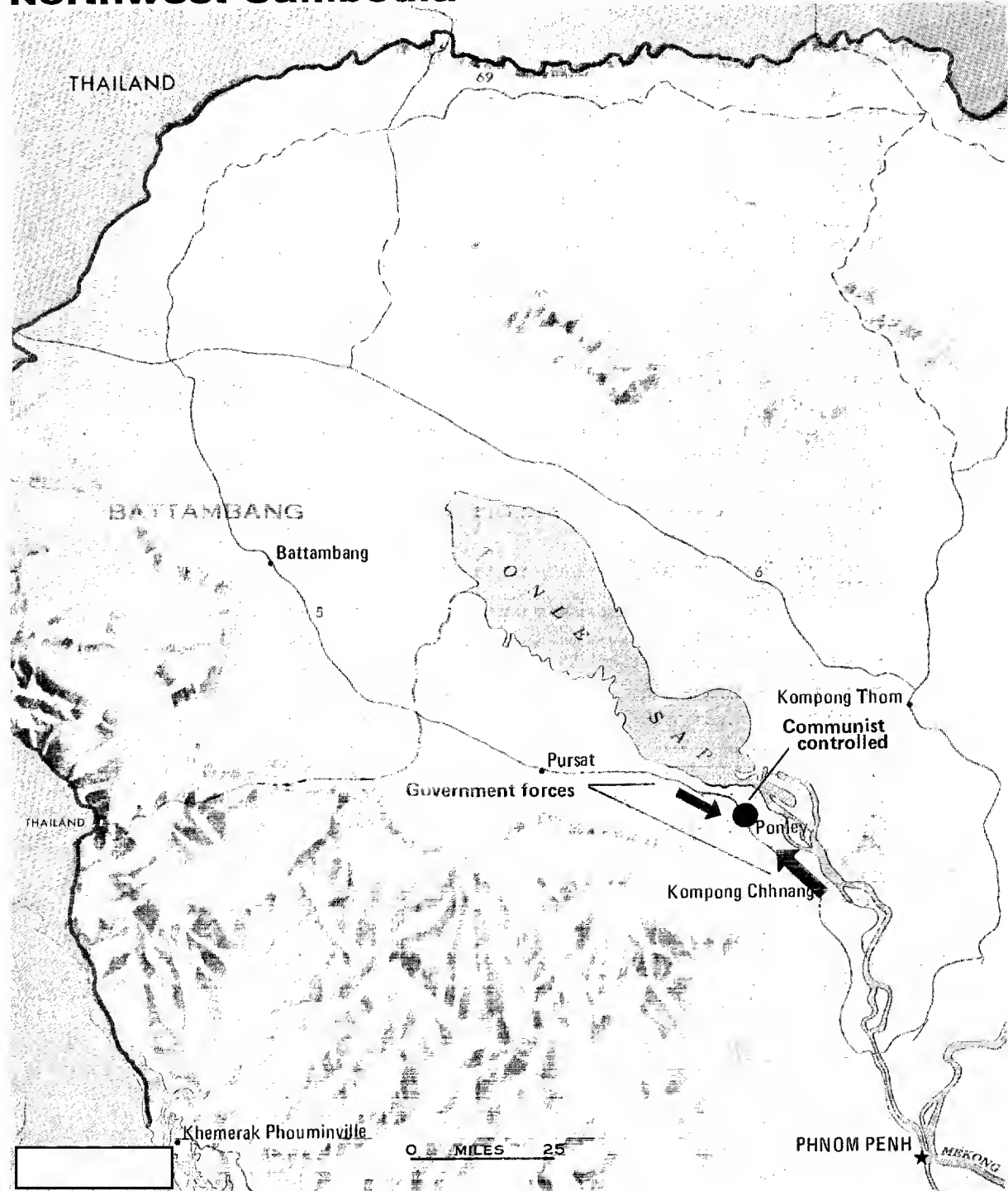
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## Northwest Cambodia



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CAMBODIA: Government forces are making some progress in their attempt to reopen Route 5.

Two Cambodian Army task forces totaling about 19 battalions are now assigned to clear a 14-mile stretch of the highway, which has been under Communist control for almost a month. The larger task force moving up the highway from Kompong Chhnang was last reported about eight miles southeast of the enemy-held town of Ponley. The other task force is moving down the highway from Pursat and is some three miles southwest of Ponley. Both government columns have thus far met only light resistance from the estimated four battalions of Cambodian Communist troops in the area.

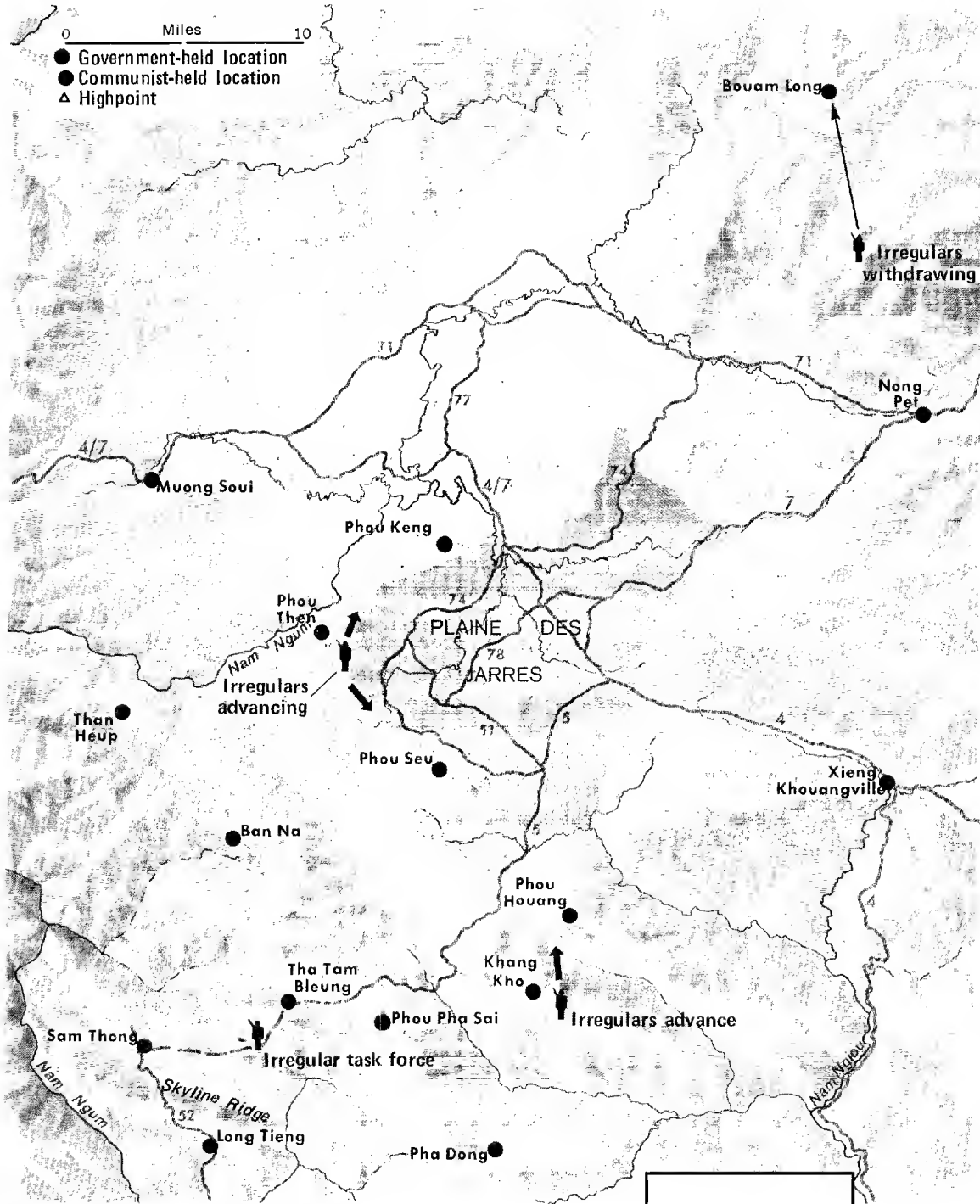
The rice situation in Phnom Penh should improve markedly over the next several days. Daily airlifts of some 100 tons from Saigon and of 35 tons from Battambang have slowed the depletion of the capital's rice stocks, but there is still less than eight days' supply on hand. With the expected arrival on 17 September of almost 4,000 tons of rice from Thailand and South Vietnam by the Mekong River route, the Cambodian capital will have a two-week supply. About three weeks' supply from the same countries should arrive at Kompong Som port this weekend to be trucked to Phnom Penh.

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LAOS: PLAINE DES JARRES AREA



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LAOS: Government forces are again moving slowly toward targets on the periphery of the Plaine des Jarres.

Four fresh irregular battalions that arrived earlier this week on the western Plaine are advancing toward Phou Sen, a strategic height overlooking the southern Plaine, while another four-battalion force has set out for Phou Keng, a mountain on the Plaine's northern periphery. Three irregular battalions that had been stalled for the past five weeks near Khang Kho have also resumed their march toward the southern tip of the Plaine.

Vang Pao is still having problems with the discipline and morale of some of his tribal irregulars. A task force assigned the mission of attacking Communist supply lines north of the Plaine ignored orders and retreated to Bouam Long, their starting point, after several days of skirmishing with Communist forces. [REDACTED]

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EUROPEAN COMMUNITIES: The groundwork has been laid for an EC summit in October that will register modest advances toward monetary union but may only mark time on community institutional development.

On the basis of agreements reached in Rome earlier this week by the foreign and finance ministers of the EC Ten, French officials believe that Paris' "requirements" for a summit have been met. France's partners generally think that they have been able to undercut--without making important concessions--French threats to postpone the summit. Chancellor Brandt, in particular, has been eager to proceed in view of the upcoming German elections.

The key agreement in Rome was to establish a European Monetary Cooperation Fund. The fund, which was foreseen in the original plan for economic and monetary union, will now be set up ahead of schedule. Its beginnings, however, will be modest. The fund will provide short-term credit to alleviate temporary financial difficulties. It will exclude--contrary to French and Italian wishes--provisions for longer term credits that Bonn feared could aggravate inflationary problems. Limited pooling of reserves will, nevertheless, be studied during the rest of this year, along with a review of existing techniques for maintaining EC currencies within a narrow band.

Given the limited functions of the European fund, West Germany's insistence that monetary integration should be accompanied by improved economic-policy coordination may have been satisfied for the time being by the agreement to study ways to combat inflation. EC members agree that this is the most pressing policy issue but agreement on measures acceptable to all may still be difficult to reach.

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The issue of a political secretariat--and French insistence that it be located in Paris--has been shelved, at least temporarily. France's partners reportedly are also willing to forgo pressing at the summit such institutional questions as universal suffrage for the European Parliament. The Dutch may not meekly accept this, however, since the Hague considers itself committed to achieving "democratic responsibility" within the community.

Although the basic agreements for the summit thus seem to have been struck, further hard bargaining is still foreseen on a number of substantive and institutional matters raised in a report for the ministers prepared by representatives of the Ten in Brussels. In any case, it appears that the summit will avoid provocative positions on EC relations with the US and the USSR, or on international monetary problems. [REDACTED]

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ICELAND: Reykjavik's tougher tactics in the "cod war" threaten to make resumption of negotiations with London considerably more difficult.

On 12 September, the Icelandic Coast Guard flag ship Aegir severed the cables of two British trawlers fishing inside the new 50-mile limit. This action was more serious than the initial incident of 5 September, when the Aegir cut only one cable on an unmarked British trawler. In that case Reykjavik called the British vessel a "pirate" because it lacked proper international markings. Although the trawler lost its catch, it managed to save its expensive nets.

Foreign Minister Agustsson subsequently told the protesting UK Ambassador that British fishermen could expect similar treatment if they continued to fish inside the limits. Despite Prime Minister Johannesson's claim that instructions to the coast guard have not changed since 1 September, when he said that violators would be cataloged now and punished later, the recent incidents clearly indicate a harsher attitude. Contrary to Iceland's claims that the British fishermen cannot land significant catches because of the harassment, the current escalation may reflect just the opposite situation and thus call for more stringent measures by Iceland.

There is disagreement within the Icelandic Government over positions to be taken in future negotiations with the UK on an interim solution to the fishing issue. Foreign Minister Agustsson has told a US diplomat that his government is prepared to

[REDACTED]  
[REDACTED] settle the dispute. However, Reykjavik would be hesitant to settle for less than the favorable terms recently reached with Belgium. The government's ability to compromise is probably being undercut by Fisheries Minister Josefsson, a Communist who insists on increasing

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Icelandic demands. Icelandic political leaders are reluctant to reveal weakness in the dispute, and most ministers probably share Josefsson's views.

Although Britain's attitude also may harden if provocations continue, London has so far refrained from permitting British naval vessels to enter the new 50-mile limit. Nevertheless, at least one frigate is standing by near Iceland and if further coast guard - trawler incidents occur, London might order it to "protect" the fishermen. [REDACTED]

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MOROCCO: A student strike planned for next week will heighten tensions.

Members of the country's largest student union--an organization loosely linked with the leftist labor and political opposition--are pushing for a boycott of exams to protest the arrest of two of their leaders. The arrests were made earlier this month as a warning to student militants that the government will not tolerate any disruption of the new school year scheduled to open early in November. Authorities are reportedly planning to round up the organization's leaders in the next few days, and many students, who want to complete their exams, are resisting the strike calls.

Moroccan students, however, have become increasingly politicized in the last several years, causing serious problems for the regime. Despite stern security measures and punitive action, the government has had little success in preventing previous boycotts. The recent crackdown will increase the potential for trouble in the coming months, and the regime may be reluctant to call on the divided and suspect armed forces to back up civil authorities. [REDACTED]

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SOUTH AFRICA: Interior Minister Mulder's election this week as Transvaal provincial party chairman underscores the growing dominance of the right-wing of the ruling National Party.

Over the last several months, Prime Minister Vorster and other Afrikaner leaders have closed ranks to the right. In parliamentary by-elections and provincial elections earlier this year, for example, the National Party conducted an emotionally charged campaign, playing on the traditional animosities between English and Afrikaans speaking whites. The National Party's shift was re-emphasized in late July with the resignation from the cabinet of Theo Gerdener, an outspoken advocate of better treatment of non-whites, and his replacement with Mulder.

Mulder's election to the key Transvaal party post puts him ahead of other potential successors to Prime Minister Vorster. Mulder, who is 47 years old, popular, and staunchly conservative, beat out his two main rivals in the prime ministerial sweepstakes, M. C. Botha, the acknowledged party ideologue, and Dr. Andries Treurnicht, the head of the secret and influential Broederbond society.

Prime Minister Vorster, who is only 57, does not plan to step down soon. But unless he is able to arrest the National Party's decline at the polls by the next general election in 1975, his position could become precarious. Mulder faces his own test much sooner, with three by-elections coming up in the Transvaal over the next few months. The National Party is expected to win at least two, if not all three, of these seats. Observers will be watching closely, however, to see how the Nationalists conduct the campaigns and whether the rival United Party continues to make inroads into the National Party's strength.

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INDONESIA: Indonesia has joined the growing list of countries in the Far East that are short of rice. Because of an excessively severe and extended dry season, the shortage will probably worsen by the end of the year. Djakarta is increasingly concerned that rising prices will lead to political unrest in the urban areas. Indonesia's usual source of imports, Thailand, is hard pressed for rice this year and is not likely to be in a position to help. Japan, the only potential major supplier remaining in the Far East, is being asked to provide the necessary supplies. Tokyo has indicated that although its domestic stocks are ample it may not legally export more rice this year. Several years ago, Japan enacted a law that limits its rice exports to 400,000 tons a year to avoid complaints from Thailand and Burma that Japanese rice exports undercut their markets.

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ZAMBIA-RHODESIA: President Kaunda reportedly ordered a precautionary military alert on 13 September in response to apparent Rhodesian counter-insurgency operations along the border. Zambian air units and probably army troops are conducting military "exercises," and the reserves have been called up. Since early August, Rhodesian guerrillas based in Zambia have carried out at least two cross-border raids into Rhodesia, their first in over two years. Although the Rhodesians have warned the Zambians of possible reprisals if guerrilla activity continues, they probably would prefer to avoid the unfavorable publicity and international pressure that a military strike would provoke. [REDACTED]

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WEST GERMANY: Pressures to protect the declining domestic coal industry may lead to reduced imports of US coal. The German Mine and Energy Workers Union convention later this month is expected to press again for a higher national priority for the declining domestic coal industry, including tighter import restrictions. Although the federal and state governments are sympathetic to the needs of the industry, EC regulations preclude restriction of imports from member countries. A large share of coal imports traditionally has come from the United Kingdom which, upon joining the EC next January, will not be subject to any coal import quotas. Any increase in UK exports probably will be at the expense of non-EC countries, including the US which in 1971 exported to West Germany coal valued at more than \$50 million. Although West Germany supports a general liberation of trade, the deteriorating situation in the coal industry may strengthen Bonn's case for maintaining coal import quotas under a special GATT dispensation for ailing industries. [REDACTED]

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INDONESIA-ROMANIA: Djakarta and Bucharest have concluded an economic cooperation agreement, Indonesia's first with a Communist country since the attempted Communist coup in 1965. This follows by about one year Romania's agreement to reschedule Indonesia's debt repayments. The two countries now will study possible Romanian assistance in mining, forestry, and industry. The agreement apparently calls for joint financing of projects, possibly under some \$30 million of credits remaining under a 1961 agreement. A protocol to that agreement provided for the use of Romanian credits to finance machinery and equipment deliveries for joint ventures. [REDACTED]

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SPAIN: Top administrators at several universities have resigned in protest over recent government moves to tighten control. Their action was triggered by resignations, allegedly forced by the government, of several prominent rectors who are likely to be replaced by strict disciplinarians. Moreover, university officials deeply resent the tough government decrees of late July that impose rigid disciplinary controls and grant greater authority to the Ministry of Education. Madrid University faculty members may petition Franco to modify the hard line and are considering a general strike in the universities. Student activists are reportedly planning protests primarily aimed at ousting the education minister. The regime may be somewhat embarrassed by the wave of resignations, especially since it includes some prestigious professors identified as government supporters. Nevertheless, the government is unlikely to be deterred from its efforts to prevent a recurrence of the disorders of the last academic year.

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